

AMENDED IN ASSEMBLY JUNE 12, 2006

AMENDED IN ASSEMBLY JUNE 14, 2005

AMENDED IN SENATE MAY 27, 2005

AMENDED IN SENATE MAY 4, 2005

AMENDED IN SENATE APRIL 21, 2005

AMENDED IN SENATE MARCH 29, 2005

## SENATE BILL

**No. 328**

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### Introduced by Senator Cedillo

February 16, 2005

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~~An act to add Section 14084.5 to the Welfare and Institutions Code, relating to hospitals. An act to add Section 17573 to the Government Code, relating to state-mandated costs.~~

#### LEGISLATIVE COUNSEL'S DIGEST

SB 328, as amended, Cedillo. ~~Health facilities: Medi-Cal reimbursement: selective provider contracts. Reimbursement of state-mandated local costs: Public Safety Officers Procedural Bill of Rights Act.~~

*The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement. These procedures require the Controller to pay claims approved by the Commission on State Mandates in an amount based on the claimant's actual costs or a reasonable reimbursement methodology.*

*The Public Safety Officers Procedural Bill of Rights Act generally requires certain conditions to be met when any public safety officer is under investigation by specified members of the employing public safety department, that could lead to punitive action.*

*This bill would require the commission to adopt a reasonable reimbursement methodology for the payment of claims filed by a local agency for costs incurred under the act based on the number of public safety officers the local agency employed during the applicable fiscal year. It would provide that local agencies may opt to be reimbursed based on their actual costs or the reasonable reimbursement methodology.*

~~Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and under which qualified low-income persons are provided with health care benefits, including hospital services.~~

~~Existing law authorizes the special negotiator to negotiate selective provider contracts with eligible hospitals to provide inpatient hospital services to Medi-Cal beneficiaries.~~

~~The bill would require the special negotiator, in negotiating selective provider contracts, to take into consideration the reimbursement issues faced by any hospital that meets 7 conditions, including that the hospital has for the previous 3 years been a contracting hospital providing basic emergency services or comprehensive emergency medical services, maintained obstetrical services and a neonatal intensive care unit, and sustained a minimum level of operating losses.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     SECTION 1. Section 17573 is added to the Government
- 2     Code, to read:
- 3     17573. (a) For purposes of this section, "mandated costs"
- 4     means costs incurred by a local agency mandated by the Public
- 5     Safety Officers Procedural Bill of Rights Act (Chapter 9.7
- 6     (commencing with Section 3300) of Division 4 of Part 3 of Title
- 7     1).
- 8     (b) (1) Pursuant to subdivision (b) of Section 17557, the
- 9     commission shall adopt a reasonable reimbursement

1 methodology, as defined in subdivision (a) of Section 17518, for  
2 payment to local agencies of mandated costs. This methodology  
3 shall specify that a local agency's annual mandated costs shall  
4 be reimbursed in an amount that equals the number of public  
5 safety officers subject to the act who are employed by the local  
6 agency as of January 1 of the applicable year, multiplied by five  
7 hundred twenty-eight dollars (\$528). Commencing with the  
8 2006–07 fiscal year, the dollar amount shall be annually  
9 adjusted by the implicit price deflator.

10 (2) No later than June 30, 2007, the commission shall amend  
11 the parameters and guidelines for reimbursement of mandated  
12 costs to include the option of being reimbursed pursuant to the  
13 reasonable reimbursement methodology. The amended  
14 parameters and guidelines shall specify that claims reimbursed  
15 pursuant to the reasonable reimbursement methodology shall be  
16 subject to audit by the Controller only with respect to the number  
17 of public safety officers a local agency employed in the  
18 applicable year, but that claims reimbursed based on actual  
19 costs shall be subject to any authorized audit.

20 (c) A local agency claim for reimbursement of mandated costs  
21 incurred during the period commencing with the 1994–95 fiscal  
22 year through the 2000–01 fiscal year, for which the agency has  
23 not been reimbursed, shall be deemed fully paid if the state  
24 reimburses the local agency for these mandated costs at the same  
25 rate that it used to pay the claims of other local agencies for  
26 mandated costs incurred during this same period.

27 (d) Reimbursement of all mandated costs incurred in any  
28 fiscal year commencing with the 2001–02 fiscal year shall be  
29 pursuant to the reasonable reimbursement methodology unless a  
30 local government claimant notifies the Controller that it prefers  
31 to be reimbursed based on actual costs.

32 ~~SECTION 1. Section 14084.5 is added to the Welfare and~~  
33 ~~Institutions Code, to read:~~

34 ~~14084.5. (a) The special negotiator, in negotiating contracts,~~  
35 ~~shall take into consideration the reimbursement issues faced by~~  
36 ~~any hospital that is not a disproportionate share hospital and that~~  
37 ~~meets all of the following criteria:~~

38 ~~(1) Is a contracting hospital under this article and has been for~~  
39 ~~the previous three years.~~

1     ~~(2) Is located within five miles of a county-operated general~~  
2     ~~acute care hospital licensed pursuant to Section 1250 of the~~  
3     ~~Health and Safety Code.~~

4     ~~(3) Had 7,000 inpatient acute care, excluding psychiatric and~~  
5     ~~rehabilitation, Medi-Cal days or more in the previous year.~~

6     ~~(4) Is, and has been for the previous three years, either one of~~  
7     ~~the following:~~

8     ~~(A) A licensed provider of basic emergency services as~~  
9     ~~described in Sections 70411 and following of Title 22 of the~~  
10    ~~California Code of Regulations.~~

11    ~~(B) A licensed provider of comprehensive emergency medical~~  
12    ~~services, as defined in Sections 70451 and following of Title 22~~  
13    ~~of the California Code of Regulations.~~

14    ~~(5) Had at least 20,000 emergency department visits in the~~  
15    ~~prior year.~~

16    ~~(6) Has an existing obstetrical services and a neonatal~~  
17    ~~intensive care unit and has had these services for the previous~~  
18    ~~three years.~~

19    ~~(7) Has a sustained operating loss, excluding the payments~~  
20    ~~received from Medi-Cal pursuant to this section and all~~  
21    ~~nonoperating revenues, including donations and income from~~  
22    ~~investments, of three million dollars (\$3,000,000) or more a year~~  
23    ~~for each of the most recent three years as reflected in the~~  
24    ~~hospital's audited financial statements.~~

25    ~~(b) The contract term may be set at the discretion of the~~  
26    ~~special negotiator and the hospital, but shall not be less than one~~  
27    ~~year.~~

28    ~~(c) The department shall seek federal financial participation~~  
29    ~~for expenditures made pursuant to this section to the full extent~~  
30    ~~permitted by federal law.~~

31    ~~(d) The department shall promptly seek any necessary federal~~  
32    ~~approvals regarding this section.~~

33    ~~(e) This section shall not apply to any hospital that is eligible~~  
34    ~~for Medi-Cal supplemental payments under Section 14085.6 or~~  
35    ~~any other program established under the selective provider~~  
36    ~~contracting program pursuant to a federal waiver.~~